



**2004 International State of the State
“State of the World as it Impacts Arizona”
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Phoenix, Arizona**

Thanks to the Council on Foreign Relations and all the co-sponsoring organizations, and especially to Susie Shultz. I’m always excited to talk about something new, and this presents a real challenge – how is Arizona faring in the world?

Ten years ago, this would not have been a very important question, and the Governor would not have been expected to answer it. Today it’s a critically important question, vital to our economic well being, our quality of life, and our security.

Globalization impacts everyone today. Obviously, large companies are affected, but I like to use the example of a small antiques store in Prescott. A few years ago, its competitors were other antiques stores in the Prescott area, and its customers were local shoppers and weekend visitors.

Then along came e-Bay. Now their competitors are from all over the world, and, potentially, so are their customers. That’s a pretty momentous shift in a pretty short time. In order to help make that shift, I’m pleased that we will release an international trade strategy that will address the issue of global competitiveness.

Believe it or not, this will be the first overarching trade strategy that the state has ever had, a crucial first step in defining Arizona’s role in the global economy.

The strategy has three components. Two are pretty straightforward, although difficult to do well: increasing exports and increasing foreign investment. We have a few twists, though, that can make our efforts more effective. The third, which I’ll talk about more in a few minutes, is a little harder to define: making Arizona a competitive platform for global trade.

Most of you know that the Arizona Department of Commerce has had an international trade and investment division for many years, with four offices around the globe, and they do a terrific job. They work primarily with small exporters, and considering the fact that their budget has been cut in half by the Legislature over the last six years, they do amazing work.

So, obviously, the trade strategy suggests that we not only continue but elevate our existing trade promotion work. The question, really, is how we distinguish ourselves from every other state. I have some ideas.



First, let's think about research. Let's use our university relationships, such as the one ASU just signed with Monterrey Tech in Mexico, and research relationships, such as the one that TGen recently signed with the Mexican science foundation.

Let's focus on getting more international scientific conferences here. Let's bring the best minds in the world to Arizona.

Second, let's use our location. Many of you are members of the Arizona-Mexico Commission, and you know that the unique nature of the Commission and our long history with Sonora make us the envy of other southern and northern border states.

Now it's time to crank it up a notch. We are working with our neighboring state of Sonora, for example, to maximize Arizona opportunities with the new Ford plant in Hermosillo. We have also made a few joint pitches to companies to consider the Arizona-Sonora border region as a site.

Last Friday, a world-class biotechnology research institute was here looking at a research facility in Tucson and a prototype facility in Sonora that would operate as a single, binational entity. Our proximity to Mexico should be a huge opportunity for us.

Arizona's location alone tells me that we should become a portal to Mexico and Latin America – a sort of west coast Miami. Our work in Sonora and Mexico leads naturally to an increased presence in Latin America.

Third, let's turn a disadvantage into an advantage. We are a relatively small market. But we are the hub of the fastest growing region in the country.

CANAMEX is a federal trade corridor that consists of five Western states, and we plan cooperatively with Alberta and four Mexican states.

CANAMEX has been mostly about roads – the new bridge that will someday replace the Hoover Dam is one the CANAMEX priority projects – but we are now shifting to an economic development focus.

CANAMEX is important because we are all smallish Western states that need to work together to develop an international trade niche. Perhaps our Latin America effort should be through a multi-state CANAMEX trade office.

Or think of the impact of a multi-state, tri-national trade mission to China. Maybe the nonstop Asian flight that has eluded us can come to fruition with America West feeding business from a five-state region into a Phoenix hub. The new trade strategy provides a framework for thinking creatively about these types of ideas.

Finally, let's talk about some interesting industries where we can excel. The Battelle Institute recently completed a roadmap for Arizona as a center of sustainable



technologies. Let's take our expertise on water, for example, which has implications around the globe, and focus some efforts on an emerging field where we can be a world leader.

I am also suggesting a new way of thinking about global trade: Arizona as a platform for global business. Are we a place where companies can successfully compete on a global scale?

I don't think we have ever thought about our state this way before. We have thought a lot about being competitive. But when you put that in the context of global competition, the need for action becomes even more compelling.

That twist makes issues such as airport infrastructure and nonstop international air service go from being luxuries to absolute necessities. It elevates the need for a well-planned highway infrastructure that connects Arizona to seaports in Long Beach, Los Angeles and – critically – to Guaymas.

Broadband access for rural Arizona suddenly becomes one of the most critical factors for rural success. Communities simply cannot survive without global telecommunications access anymore.

That's why I'm very excited to share that we are working on our first statewide telecommunications plan, to be led by a working group of public and private sector leaders, that will look at better ways to improve service.

By the way, we are one of only a few states that do NOT have such a plan in place – not very competitive for global Arizona.

I don't want to turn this into a discussion on homeland security, but obviously a lot of the issues along the border are substantially impacted by new security measures. Improved ports of entry at Nogales Mariposa and San Luis are helping to facilitate the new security measures without impacting border crossing times.

We have made a commitment in Arizona to do everything we can to leverage and pursue federal funds so we can be on the front end of border improvements. We must remain safe and secure but we also can't afford to lose the benefits of trade.

I would be remiss to talk about the international state of Arizona without mentioning tourism. Mexico, Canada, the UK and Germany are all huge tourism markets, and all have been vastly impacted by September 11. Foreign visitors stay longer and spend more, so somehow we have to bring visitors back without compromising our security. One of our tourism priorities will be to begin consumer advertising in the UK. This will not only bolster the local industry but also support our nonstop service on British Airways.



Before I close, I want to quickly bring up two issues with respect to our national competitiveness.

No speech on the international economy would be complete without mentioned the “o” word – outsourcing.

The rapid pace of change, the loss of jobs, combined with the September 11 attacks and the uncertainty in Iraq, has left us with a feeling of trepidation.

There is no question that these are uncertain times. But with respect to the global economy, massive change is not new. We have survived the transition from the agricultural economy to the industrial economy to the information economy, and US innovation and productivity has led the world in every instance.

As the cycles get shorter, the pressure mounts, but no country has the track record that the US has had. We thrive on change, we have never retreated from hard work, and we are a country of entrepreneurs.

We do need to remain competitive in the short run, but I’m actually more concerned with what we are doing to be ready for long term economic competitiveness.

We need to think about education and research and development.

US universities today actually have FEWER math, science and engineering graduates than they did 10 years ago. In 2001, only 7 percent of the engineering graduates worldwide came from the US. As women have become the majority of college graduates nationwide, they have made almost no gains in the ranks of math, science and engineering majors.

Yet by 2010, we will have 5.3 million new high skilled jobs in this country – with baby boomers retiring and fewer scientists and engineers coming out of college.

You don’t have to be a math major to see that this trend can’t go on.

My all-day kindergarten plan comes from my belief that children must succeed in the earliest years in order to succeed in high school and beyond. It’s an important step to make sure that Arizona, at least, is doing its part to address this enormous national need.

I’m also concerned about funding for the National Science Foundation. For next year, it remains flat in the President’s budget. How can we lead the world in science and innovation without funding research?

Last year in Arizona, in one of the toughest budget years we’ve ever faced, we still funded a \$440 million plan for university research infrastructure. Surely the federal government can find a way to fund this critical need.



Here in Arizona, there are signs that the international economy is improving for us. Our trade figures are finally back up to pre-September 11 levels and growing. Canada will open a full fledged consular office here in September, only our second consular office in Arizona, and that will lead to new business opportunities with our neighbor to the north.

And groups like the Council on Foreign Relations, Sister Cities Commissions and the World Affairs Council are important. By bringing international speakers, by focusing on a global agenda, by keeping Arizonans informed about the global economy and interacting with global leaders, you are playing a critical role in shifting the thinking of our state to a new level.

So how is the international state of the state? Overall, I think, pretty healthy. But are we really competitive, well known in global business circles, partnering around the globe and competing for global projects? Not yet.

I do believe, though. I believe that with a plan in place, a shift of attitude in thinking about our global competitiveness, and a commitment from the Governor that this is a priority, we're going to make progress very quickly.

Thank you.